

SEATTLE SCHOOL DISTRICT No. 1
King County, Washington
September 1, 1994 Through August 31, 1995

Schedule Of Findings

1. Seattle School District Director Of Facilities Development And Construction Accepted Gratuities Which Creates An Appearance Of A Conflict Of Interest

As part of his responsibility, the district's Director of Facilities Development and Construction recommended to the prior superintendent that Heery International be awarded the contract to oversee the first 10 of 19 projects included in the district's \$357 million capital improvement program. In the two-year period preceding the contract award, the director accepted gratuities from Heery International. The director's responsibilities and his acceptance of gratuities creates an appearance of a conflict of interest.

In July 1992, the district issued requests for qualifications from various construction management firms for overseeing its capital improvement program. By March 1993, the district had contracted with two firms: CRSS to manage the construction of one project and perform a reassessment of others, and Heery International to perform various planning studies including an analysis of completed projects.

In June 1993, the Director of Facilities Development and Construction was hired by the district to administer the capital improvement program and to act as liaison with CRSS and Heery.

On August 20, 1995, the director was taken on a golf outing by the Executive Vice President, Senior Vice President, and Vice President of Heery International. Three days later, the director sent a letter to CRSS informing the firm of the district's decision to use Heery International as the sole construction management firm. From Heery records we determined the director accepted gratuities from Heery totaling \$3,030.04 from July 1993 through August 20, 1995.

The following table is a breakout of the benefits accepted by the director from Heery International:

<u>Month</u>	<u>Activities</u>	<u>Amount</u>
July 1993	Meals	\$ 28.30
September 1993	Meals	87.00
October 1993	Meals	28.00
November 1993	Meals	22.00
December 1993	Gifts	20.00
January 1994	Meals, Entertainment	106.79
February 1994	Meals, Entertainment	65.75
March 1994	Meals	15.43
April 1994	Meals	105.03
May 1994	Meals, Entertainment, Travel	228.96
June 1994	Meals, Entertainment	80.92
July 1994	Meals	13.44
August 1994	Meals, Entertainment	74.96
October 1994	Meals	73.50
November 1994	Meals	95.11
December 1994	Travel, Meals, Entertainment	606.99
January 1995	Travel, Meals	392.46
February 1995	Meals	164.59
March 1995	Meals, Entertainment	69.85
April 1995	Meals, Travel, Entertainment	442.27
June 1995	Meals, Entertainment	219.13
August 1995	Meals, Entertainment	<u>89.56</u>
Total		<u><u>\$3,030.04</u></u>

The director's acceptance of these gratuities and the golf outing with Heery executives, three days prior to the selection of Heery as the sole construction management firm, appears to violate the state's conflict of interest law for municipal officers.

RCW 42.23.030:

No municipal officer shall be beneficially interested directly or indirectly, in any contract which may be made in whole or in part, or which may be made for the benefit of his or her office, or accept directly or indirectly, any compensation, gratuity or reward in connection with such contract from any other person beneficially interested therein.

"Municipal officer" is broadly defined in RCW 42.23.020 (2) to include:

. . . all elected and appointed officers of a municipality, together with all deputies and assistants of such an officer, and all persons exercising or undertaking to exercise any of the powers or functions of a municipal officer.

Under this provision, the Director of Facilities Development and Construction is a municipal officer.

Additionally, RCW 42.23.070 lists further prohibited acts:

- (1) No municipal officer may use his or her position to secure special privileges or exemptions for himself, herself or others.
- (2) No municipal officer may, directly or indirectly, give or receive or agree to receive any compensation, gift, reward, or gratuity from a source except the employing municipality, for a matter connected with or related to the officer's services as such an officer unless otherwise provided for by law.
- (3) No municipal officer may accept employment or engage in business or professional activity that the officer might reasonably expect would require or induce him or her by reason of his or her official position to disclose confidential information required by reason of his or her official position.

By his actions with Heery International, the director may have also violated these provisions of the state code of ethics laws.

The appearance of a conflict occurred, in part, because Seattle School District had no provision in its code of ethics prohibiting the receiving of benefits and gifts either directly or indirectly by district employees in conjunction with their employment. The district adopted such a policy in August 1995.

We recommend district officials develop procedures to enforce its new policy and to minimize the risk of conflict of interest over construction management contracts. We further recommend the Seattle School District and the Washington State Office of the Attorney General review this matter and take whatever action is deemed necessary under the circumstances.

SEATTLE SCHOOL DISTRICT No. 1
King County, Washington
September 1, 1994 Through August 31, 1995

Schedule Of Federal Findings

1. Seattle School District Officials Should Improve Process To Ensure Compliance With Special Education Reassessment Requirements

The district's process to ensure compliance with the three-year student reassessment requirements of the Special Education Program (CFDA 84.027) was inadequate.

Students enrolled in the program are divided into two groups, those under school age (Early Childhood) and those over. Most of the Special Education students are in the latter group. Our audit revealed weaknesses in the reassessment process for both groups as follows:

- Early Childhood students are required to have an evaluation performed before they attain the statutory age required for entry into first grade. The district considered this requirement to supersede the requirement for students to have an evaluation performed at least once every three years and therefore used the birth date of Early Childhood Special Education students to determine when reassessments were due. The two requirements are not mutually exclusive; Early Childhood students must still have a reassessment performed within three years of their last reassessment.
- The district's March 28, 1996, monthly status report used to monitor reassessments for Early Childhood Special Education students identified as late 26 out of 214 students due for reassessment the 1996 school year. They ranged from 3 to 214 days late.
- For the remaining Special Education students, a list of students due for reassessment is submitted to appropriate school psychologists, who are responsible for the timely completion of the reassessments. However, we found no systematic review or follow up of the psychologists' work to ensure the reassessments are performed on time.
- A special report dated April 2, 1996 identified as late 175 out of 985 students due for reassessment the 1996 school year, ranging from 1 to 445 days late.

Title 34 of the *Code of Federal Regulations* (CFR), Part 300.534(b), states in part:

... an evaluation of a child ... is conducted every three years or more frequently if conditions warrant or if the child's parent or teacher requests an evaluation.

Washington Administrative Code (WAC) 392-171-512 states in part:

Each identified student having a handicapping condition shall be reassessed . . . by the multidisciplinary team . . . at a minimum, once every three years or more frequently if required by this chapter.

District program officials indicated that while enrollment in the Special Education program has steadily increased, staff resources have not kept pace, contributing to the district's inability to conduct timely reassessments. The district prioritized the identification and enrollment of currently unserved students rather than complying with requirements related to the students already enrolled. Officials also indicated a large number of Special Education students transfer in and out of the district, complicating the tracking of reassessments.

Student eligibility is jeopardized when district officials do not conduct reassessments within the required time frame. Ineligible students could receive benefits, the district could be required to pay back the grant funds, and future grant funding could be withheld. Due to the nature of the program, we were unable to establish the amount of costs associated with the exceptions noted.

We recommend district officials improve administrative controls over the reassessment process for Special Education Program students to ensure compliance with federal and state regulations.

We further recommend district officials consult the Superintendent of Public Instruction in resolving this issue.

2. Seattle School District Officials Should Charge Only Allowable Costs To The Federal Magnet Program

During the fiscal 1995 program year, 8 of 95 schools in the district were funded by the federal Magnet program. The federal Magnet Schools Assistance Program provides financial assistance to local educational agencies to support the elimination, reduction or prevention of minority group isolation in elementary and secondary schools with substantial portions of minority students. The program also supports courses of instruction within Magnet schools which will substantially strengthen the knowledge of academic subjects and the grasp of tangible and marketable vocational skills of students attending such schools.

Our audit of the Magnet program indicated the following items were inappropriately charged to the program:

- a. The district charged the entire cost of several publications related to district-wide student registration and enrollment to the program. All of the district's schools derived benefits from the registration and enrollment publications. The unallowable/questioned portions of these costs are \$14,061.51.

Similar conditions were identified in the fiscal 1994 audit of the Magnet program. This resulted due to the way the student registration and enrollment process is structured. District officials considered the costs of general student registration and enrollment activities essential to identifying potential Magnet school students. Once identified, district officials could then specifically target its promotion of Magnet schools to these students and their parents. District officials, therefore, believed the costs associated with the district-wide enrollment process were allowable charges to the Magnet program. These costs were incurred for the fiscal 1995 program year before the findings from the fiscal 1994 audit were presented to the district.

- b. The district also charged the entire cost of the district FOCUS newsletter to the Magnet program. According to district staff, significant portions of the FOCUS newsletter were dedicated to the promotion of district magnet schools. However, other district issues were also presented in each edition of the newsletter. Copies of the newsletter published in fiscal year 1995 were no longer available, so the extent of each edition devoted to federally funded magnet schools versus other subjects could not be reasonably determined. Therefore, we are not presenting any questioned costs associated with the district FOCUS newsletter.

District officials considered the FOCUS newsletter to be one of the primary vehicles for communicating information concerning district magnet school programs to students and parents. District officials, therefore, believed the costs associated with the FOCUS newsletter were allowable charges to the Magnet program.

- c. The director of Magnet programs and his administrative assistant charged 100 percent of their salaries and benefits to the Magnet program during the fiscal 1995 school year. Due to a district-wide reorganization begun late fiscal year 1993, the director became responsible for administering other state and federally funded programs during fiscal 1994. The director continued to be responsible for the administration of the same programs during fiscal year 1995. Because all of the salaries and benefits of the director and his administrative assistant were exclusively charged to the Magnet program, no time records reflecting the time applicable to other federal or non-federal programs were prepared. Therefore, the amount of time and associated costs allocable to other programs could not be

reasonably determined so we are not presenting any questioned costs associated with this issue.

The same conditions were identified in the fiscal 1994 audit of the Magnet program. The district reorganization was not finalized at the time the application was originally submitted for Magnet funding for the fiscal 1994 school year. The director of Magnet programs did not anticipate assuming responsibility for any of the other programs he was subsequently assigned. Due to budget restrictions and program regulations, the cost of the director's office could not be allocated to these other programs. The continuation application for the Magnet program for the fiscal 1995 program year was submitted and these salary costs were incurred before the findings from the fiscal 1994 audit were presented to the district.

The Office of Management and Budget, Circular A-87) *Cost Principles for State and Local Governments*, Attachment A, Section C, states in part:

To be allowable under a grant program, costs must meet the following general criteria:

- 1.f. Not be allocable to or included as a cost of any other federally financed program in either the current or a prior period.
- 2.a. A cost is allocable to a particular cost objective to the extent of benefits received by such objective.
- b. Any cost allocable to a particular grant or cost objective . . . may not be shifted to other Federal grant programs to overcome fund deficiencies, avoid restrictions imposed by law or grant agreements, or for other reasons.

As a result of charging the Magnet program unallowable costs, the district appears to have been overreimbursed at least \$14,061.51 for the fiscal 1995 program year. The district no longer receives federal Magnet funds beginning with fiscal year 1996.

We recommend district officials consult with the grantor agency to resolve the questioned costs.

3. Seattle School District Officials Should Comply With Head Start Program Regulations And Contract Provisions

The district's Head Start program (CFDA 93.600) regulations require participating children to receive certain health related examinations and screenings. A number of the 20 participant files we reviewed lacked documentation supporting compliance with those requirements. According to the files:

- a. Three children did not have a health screening within 45 days of enrollment.
- b. Three children did not have a developmental screening and another four children did not have a developmental screening within 45 days of enrollment.
- c. Five children did not have a medical exam and another four children did not have a medical exam within 45 days of enrollment.
- d. Eight children did not have a dental exam and another two children did not have a dental exam within 45 days of enrollment.

Program regulations contained at 34 CFR 1304.3-3 and the district's Agency Services Agreement with the City of Seattle specifies that all children participating in the program must have developmental screenings, medical exams, and dental exams completed within 45 days of enrollment.

We noted the same conditions in the fiscal 1994 audit of the district Head Start program. The district is developing a computerized student health database to facilitate compliance monitoring for program health services deadlines. The district's current manual system and staff support are not adequate to meet the requirements.

District officials could jeopardize future program funding by failing to comply with federal program regulations and grantor contract provisions.

We recommend district officials take appropriate steps to provide adequate resources to complete the health service components in a timely manner.